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SUBJECT: EMBASSY EFFORTS ON BEHALF OF THE SPY-1F PROGRAM

Classified By: Ambassador J. Thomas Schieffer. Reasons 1.4 (B) (D)

¶1. (S) Summary: Embassy Tokyo is actively engaged in efforts to equip the 19DD destroyer with SM-2 and SPY-1F capabilities. The Ambassador has raised the SPY-1F issue with Defense Minister Nukaga and embassy officers have worked closely with counterparts from Lockheed Martin, the Maritime Staff Office (MSO), the Japan Defense Agency (JDA) and other Japanese agencies to ensure that the review of the 19DD's capabilities is transparent and focused on operational requirements. The internal process for upgrading the 19DD's air defense capabilities is complicated by internal GOJ budgetary and policy processes. Nevertheless, GOJ officials are fully aware of the importance the USG places on ensuring that the 19DDs are capable of providing effective air defense coverage for Aegis ships engaged in BMD operations. End Summary.

Background

¶2. (C) Japan's Maritime Staff Office (MSO) requested procurement of the SM-2 and SPY-1F systems following a technical study conducted this Spring, in cooperation with the Lockheed Martin Corporation (LMCO) and the USN, on the capabilities of the two systems. Japan Defense Agency (JDA) Internal Bureau initially rejected the MSO request, citing guidance contained in an annex of the 2004 Mid-Term Defense Plan (MTDP) requiring the 19DDs to be equipped with the FCS-3 radar system, produced by Mitsubishi Electric Company (MELCO).

Embassy Interventions

¶3. (C) The Ambassador raised the critical need to provide 19DDs with air defense capability with Defense Minister Fukushima Nukaga on July 26. The Ambassador's call followed a broader discussion with Nukaga on July 21 on the importance of bilateral naval interoperability in the context of Ballistic Missile Defense (BMD). The embassy followed-up on the Ambassador's interventions with more detailed inquiries on SPY-1F with director-level JDA officials, drawing on questions submitted to the embassy by Lockheed Martin representatives.

¶4. (C) Perhaps as a result of these interventions, JDA Planning and Program Division Director Naoki Kawamura outlined for the embassy on July 28 a plan to conduct a second review of the SPY-1F/FCS-3 based on the new requirements to fit the 19DDs with SM-2 missiles. Similar information was reportedly provided through USN and OSD channels. During his briefing on the proposal, Kawamura stated that this review would permit JDA to request

inter-agency approval to adjust the MTDP annex and allow the 19DDs to be equipped with SM-2/SPY-1F capabilities. Kawamura stated that JDA fully supports the MSO desire to procure the SPY-1F. However, he expressed concern that if legal processes were not followed, JDA and the USG could be left vulnerable to accusations from the media and opposition parties of non-transparently altering the MDTP to favor a U.S. defense company.

15. (C) Responding to concerns raised about the JDA Internal Bureau's neutrality on the 19DD procurement program, the embassy has also raised the SPY-1F issue with the Cabinet Office, Ministry of Foreign Affairs, and the Budget and Finance Division of JDA. In addition to increasing the visibility of the issue, such interactions have added further clarity to budgetary and policy process questions raised by both JDA and Lockheed Martin. Thus far, the embassy has not identified any serious red flags in the process, but will continue to make our concern known both to JDA and the wider policy community, including the Ministry of Finance.

Comment

16. (C) There is understandable concern over the process and substantive issues involved with the MSO effort to upgrade the 19DDs with SM-2/SPY-1F. The process of altering both the MTDP and the FY2007 budget is complicated, but by no means impossible or unprecedented. Given the current focus on BMD capabilities, both within JDA and within the broader public, we believe Japan will choose to upgrade the 19DDs to ensure inter-operability with USN counterparts to meet serious resistance. The embassy will continue to highlight the operational advantages of doing so.
SCHIEFFER